



**A Report to the
Audit Committee**

Mayor

David Briley

Director of Finance

Talia Lomax-O'dneal

Purchasing Agent

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Audit Committee Members

John Cooper

Charles Frasier

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Bob Mendes

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Audit of the Department of Finance Procurement Division

August 17, 2018

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

August 17, 2018



Why We Did This Audit

The audit was requested by the Director of Finance due to the important role the procurement cycle plays in the financial health of the Metropolitan Nashville Government and to ascertain if taxpayer dollars are being spent in the best interest of the community.

What We Recommend

- Improve the solicitations system of quality control through:
 - Creating “How to Procure” procedures and a buyer training roadmap.
 - Obtaining department certification from peer professional associations.
 - Conducting self-assessment.
- Use iProcurement requisitions and purchase orders for all purchases of goods and services.
- Encourage legislation to raise the competitive bidding limit to the maximum allowed by the State of Tennessee.
- Monitor delegated procurement authority and certificates of insurance.

Audit of the Department of Finance Procurement Division

BACKGROUND

The Metropolitan Nashville Government’s Department of Finance Procurement Division is responsible for overseeing procurement of goods and services for approximately 52 departments, agencies, commissions, and boards. However, Metropolitan Nashville Public Schools and component agencies procurement activity is not overseen by the Procurement Division.

OBJECTIVES AND SCOPE

The audit objectives are to determine if the Procurement Division is:

- Processing solicitations and issuing awards in compliance with the Regulations to the 1992 Procurement Code and Procurement Code.
- Processing solicitations and issuing awards in compliance with Procurement Code for assistance to small, disadvantaged, and service-disabled veteran owned businesses and the procurement nondiscrimination program.

The audit scope covered 788 procurement request over \$10,000 completed between July 1, 2015, and June 30, 2017. Department purchases were excluded.

WHAT WE FOUND

The Procurement Division staff is knowledgeable of and strives to comply with the Procurement Code and Procurement Regulations. A competitive bidding process is in place, and proposers have the ability to appeal solicitation decisions. However, the system of quality control to ensure consistent compliance with the Metropolitan Nashville Government Code of Laws related to procurement and Procurement Regulations needs improvement.

Between July 1, 2015, and June 30, 2017, disbursements for supplies, services, and construction were \$1.3 billion¹, with \$135.5 million (10 percent) of these disbursements not associated with a purchase order or a supplier with a contract.

Raising the department delegation limits to \$25,000 for when public advertising competitive bidding is required could reduce the number of solicitations requiring Procurement Division assistance. The number of suppliers meeting this limit would decrease from 28.7 percent to 20.2 percent while also, encompassing 98.8 percent of the historical spend on goods and services. This analysis assumes one supplier (vendor address number) results in an individual solicitation or purchase order.

¹ See source information for Exhibit 3 – Analysis of Raising Competitive Bid Limit to Maximum Allowed by State Code for Fiscal Years 2016 through 2017, on page 7 of this report.

GOVERNANCE

The Metropolitan Nashville Government Purchasing Agent is appointed by the Mayor and reports to the Director of Finance. Two mayoral appointed boards are also part of the governance structure. The Procurement Standards Board is empowered by the Metropolitan Nashville Council to establish Procurement Regulations, which further define and provide guidance to the Procurement Division in complying with the Procurement Code. The Procurement Appeals Board hears appeals of the Purchasing Agent's protest hearing determinations.

The Procurement Division is responsible for overseeing procurement of goods and services for approximately 52 departments, agencies, commissions, and boards. The Metropolitan Nashville Public Schools and component agencies procurement activity is not overseen by the Procurement Division.

The Metropolitan Nashville Government procurement practices are also subject to Tennessee Code Annotated Title 12, Chapter 3 - Public Purchases, Metropolitan Nashville Code of Laws Title 4, and the Metropolitan Nashville Government Procurement Regulations, which are promulgated by the Procurement Standards Board and serve as the policy effectuating the Code.

BACKGROUND

Various departments and agencies require a wide range of critical and strategic services, supplies, and construction to support essential public functions. It is important the Metropolitan Nashville Government spend taxpayer dollars responsibly, protected from undue influence, and in the best interest of the community. Procurement policies and processes are the means to achieve all of these goals.

The Procurement Division utilizes various methods for procuring goods and services to ensure that the best value and open access are achieved. These methods include:

Delegated Purchasing Authority - The Purchasing Agent delegates purchasing authority to individual department and agency heads for the purchases of goods and services under \$10,000. The Purchasing Agent can revoke this delegated authority for cause.

Invitation to Bid - The award is made to the lowest responsive and responsible bidder.

Request for Proposal - Used when selection criteria in addition to price are necessary to make an award. An evaluation committee reviews all bid responses.

Sole Source Purchase - Used when the item(s) is available from only one source.

Statewide Contracts - Use of State of Tennessee awarded contracts.

Cooperative Contracts - Use of contracts conducted by another municipality or state and marketed by a third party cooperative.

Emergency Purchases – Used when conditions create a threat to public health, welfare, or safety where an immediate and serious need for supplies, services, or construction cannot be met through normal procurement methods.

Sole Brand Purchase - Used when a specific brand needs to be acquired from several sources.

Solicitations result in a standard purchase order or a contract against which purchase orders can be released. Standard purchase order terms are non-negotiable for purchase orders originating from departmental quotes and purchase orders issued in response to invitations to bid or requests for proposal solicitations where no formal contract is developed. If the purchase order is issued as a release against a filed contract, the contract's terms and conditions shall govern.

PROCUREMENT DIVISION ORGANIZATION

For the audit period, the Procurement Division consisted of 20 employees divided into the following three sections:

Purchasing and Contracts - Responsible for issuing and tracking solicitations and contracts.

Business Assistance Office - Coordinates available public and private services in an effort to advance the Metropolitan Nashville Government commitment to assist in the development of minority, service-disabled veteran, small, and women-owned businesses. Some examples of the supporting activities performed by the Business Assistance Office include outreach programs, verifying and maintaining a current database of certifications for minority and women business entities, monitoring utilization of minority and women business entities, and investigating written complaints.

I-Procurement Training and Support - Provides training and support to all departments and agencies, assist in supplier registration, and liaises with the accounts payable division during vendor setup and approval.

In August 2017 new leadership reorganized the Procurement Division.

COMPUTER SYSTEMS

Oracle's iSupplier/iProcurement is used to manage the procurement lifecycle including activity associated with solicitations such as initial solicitation publication, questions, discussions, amendments, electronic bidding/proposal submission, unsealing of submissions, awards information, resulting contracts, and orders. During the fiscal years 2016 and 2017, the Procurement Division registered 1,378 and 1,596 new suppliers, respectively.

iProcurement interfaces with the JD Edwards EnterpriseOne financial system to ensure funds are available prior to purchase order release. If funds are sufficient, the account will be encumbered upon release of the order. Department receipts entered into iProcurement are transferred to EnterpriseOne for matching the delivery of goods with invoice payment requests.

OBJECTIVES AND CONCLUSIONS

1. *Is the Procurement Division processing solicitations and issuing awards in compliance with the Procurement Regulations?*

Generally, yes. The Procurement Division is knowledgeable of and strives to comply with the requirements of the Procurement Code and Procurement Regulations. A competitive bidding process is in place, and proposers have the ability to appeal solicitation decisions. However, the system of quality control to ensure consistent compliance with the Procurement Code and Procurement Regulations needs improvement. A sample of 41 Procurement Regulations or Procurement Code requirements tested demonstrated 4 requirements with a compliance performance of less than 75 percent. (See Observation A.)

2. *Is the Procurement Division Processing solicitations and issuing awards in compliance with Metropolitan Nashville Code of Laws Title 4, Chapters 44 and 46 assistance to small, disadvantaged, and service-disabled veteran owned businesses and the procurement nondiscrimination program?*

Yes. Staff is knowledgeable of and in good faith attempts to comply with the Procurement Nondiscrimination Program. Requirements are outlined on solicitation templates submitted by all potential vendors. Staff reviews solicitations. A sample of 20 Metropolitan Nashville Code of Laws Title 4, Chapters 44 and 46 requirements tested demonstrated 1 requirement with a compliance performance of less than 75 percent. (See Observation A.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives, and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (COSO)*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A– Procurement Activity Solicitation Quality Control

The system of quality control to ensure consistent compliance with the Metropolitan Nashville Code of Laws - Procurement Code and Procurement Regulations needs improvement.

Exhibit 1 – Summary of Procurement Activity Sample Sizes

Procurement Activity	Population	Sample
Invitation to Bid	133	15
Request for Proposal	302	39
Sole Source	34	9
State Contracts	3	3
Emergency Purchases	10	4
Purchase Orders Greater Than \$10,000	306	30
Total Procurement Request	788	101
Contract Amendments	133	14
Assigned Contracts	11	11

Source: Metropolitan Nashville Office of Internal Audit, I-Procurement System, The Electronic Public Access Viewer, and the Department of Finance Business Assistance Office.

Four Metropolitan Nashville Code of Laws Procurement Code or Procurement Regulations requirements with less than 75 percent compliance performance are summarized below.

Sole Source Purchases:

Out of 9 solicitations sampled, 2 solicitations had an estimated contract value in excess of \$250,000, 1 (50 percent) of these contracts (estimated value \$600,000) was not submitted for Metropolitan Nashville Council approval. (Metropolitan Nashville Code of Laws § 4.12.060)

Emergency Purchases:

- Out of 4 solicitations sampled, 4 solicitations (100 percent) did not include documentation justifying the emergency purchase. (Procurement Regulation 4.12.070.06.1)
- Out of 4 solicitations sampled, 4 solicitations (100 percent) did not include documentation justifying the source selection method. (Procurement Regulation R4.12.070.05.1)

State/Other Governmental Entity Contracts:

Out of 3 agreements sampled, 3 agreements (100 percent) did not document the factors considered including the required delivery date for the product or service, the item on state contract, and the actual

or opportunity costs to process the needed item(s) through the competitive procurement process. (Procurement Regulation 4.12.090.02)

Other Areas of Concern

Even though the Purchasing Agent has not delegated authority to approve an intent to award contracts, occurrences were observed when the only documented approval of contract intent to award was a purchasing officer within the Purchasing Division.

Solicitation supporting documentation was not consistently stored in iProcurement making it harder to demonstrate performance compliance to third-party reviewers.

Documentation requirements and verification of contract assignments were inconsistent.

Criteria:

- *COSO, Control Activities–Principle 12–The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*
- *COSO, Control Environment–Principle 5–The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.*
- *Metropolitan Nashville Code of Laws Title 4–Procurement Code*
- *Regulations to the 1992 Procurement Code*
- *Metropolitan Nashville Code of Laws § 2.206.010–Compliance with Metropolitan Code–“It should be the policy of the Metropolitan Government of Nashville and Davidson County that it and all of its various departments, boards, and commissions comply with all provisions of the Metropolitan Code, and all ordinances, rules and regulations of the metropolitan government...”*

Recommendation for management of the Department of Finance Procurement Division to improve Procurement Code and Procurement Regulations compliance performance by:

1. Developing “How to Procure” procedures for critical procurement processes and establishing a buyer training roadmap.
2. Encouraging certification programs for staff. Several government procurement associations offer certifications such as a certified professional public buyer or certified public procurement officer.
3. Seeking accreditation from a national professional procurement organization.
4. Annually conduct a self-assessment of Procurement Code and Procurement Regulations compliance performance.
5. Deciding if purchasing officers’ delegation should include the authority to approve an intent to award contracts.
6. Ensuring all solicitation supporting documentation resides in one system of record.

Observation B – Business Assistance Office Tasks

The system of quality control to ensure consistent compliance with the Metropolitan Nashville Code of Laws - Procurement Code and Procurement Regulations needs improvement.

A sample of 20 Metropolitan Nashville Code of Laws Title 4, Chapters 44 and 46 requirements tested (see Appendix B) demonstrated one requirement with a compliance performance of less than 75 percent. See Exhibit 2 for a summary of samples.

Exhibit 2 – Summary of Sample Sizes

Area of Review	Population	Sample
Business Assistance Office - Solicitation Assistance	164	25

Program Nondiscrimination Program

Out of six solicitations sampled, evidence of Business Assistance Office personnel monitoring payments to sub-contractors could not be located for two solicitations (33 percent). There was no evidence or documentation of additional inquiries, follow-ups, sanctions or penalties against the two prime contractors. (Metropolitan Nashville Code of Laws § 4.46.030.C.)

Other Areas of Concern

Business Assistance Office solicitation files contained inconsistent and ambiguous outreach content for notices to small, minority, woman and service disabled veteran-owned businesses. The outreach notice content was not prescriptive.

Some solicitations outreach for subcontractors listed were not in a compatible industry.

Criteria:

- *COSO, Control Activities–Principle 12–The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*
- *Metropolitan Nashville Code of Laws Title 4–Procurement Code*
- *Regulations to the 1992 Procurement Code*
- *Metropolitan Nashville Code of Laws § 2.206.010–Compliance with Metropolitan Code–“It should be the policy of the Metropolitan Government of Nashville and Davidson County that it and all of its various departments, boards, and commissions comply with all provisions of the Metropolitan Code, and all ordinances, rules and regulations of the metropolitan government...”*

Recommendation for management of the Department of Finance Procurement Division to improve Business Assistance Office tasks by:

1. Including Business Assistance Office tasks in the implementation plan to improve the overall system of quality control for procurement activity (see Observation A recommendations.)
2. Ascertaining if the current Oracle R12 Enterprise Business implementation project can capture small, minority, woman, and service-disabled veteran owned businesses primary registered commodity codes along with secondary commodity codes entities they are interested in monitoring.

3. Providing additional guidance (standardize letters) concerning expectations for outreach communication between prime contractors and small, minority, woman and service disabled veteran-owned businesses.

Observation C – Utilization of iProcurement Requisitions

iProcurement requisitions/purchase orders are not consistently utilized throughout the Metropolitan Nashville Government. Between July 1, 2015, and June 30, 2017, the Metropolitan Nashville Government expended approximately \$1.3 billion for supplies, services, and construction (see Note in next paragraph). Purchase orders were not issued for \$266 million of the \$1.3 billion expended or approximately 20 percent. These direct-paid disbursements are not associated with a purchase order; however, \$130.5 million was paid to suppliers with existing contracts. Disbursements without an associated purchase order or contract were approximately \$135.5 million of the \$1.3 billion expended or approximately 10 percent.

Out of 242,726 paid invoices for this period, 108,906 were direct-paid disbursements or approximately 45 percent of invoices paid for supplies, services, and construction. These direct-paid disbursements are not associated with a purchase order; however, contracts may exist for these disbursements, but contract numbers are not identified within the payment system.

Consistent use of iProcurement requisitions/purchase orders provides better historical spend information that can be leveraged during vendor negotiations and greater precision in forecasting cash requirements based on overall Metropolitan Nashville Government commitments to vendors. In addition, leveraging the use of purchase orders provides additional transparency and accountability for department decentralize procurement. Existing delegated purchasing authority monitoring will be enhanced because any requisition greater than \$10,000 not released against an existing contract will require processing by the Procurement Division.

Note: While certain expenditures that would not have gone through a procurement process were excluded from the analyzed data as noted in Exhibit 3 *Source*, the totals represent best estimates of expenditures with purchase orders versus direct-paid disbursements. Without reviewing each invoice, it is not possible to determine, which invoices should have gone through a procurement process and those that did not.

Criteria:

- *COSO, Control Activities–Principle 10.* The organization selects, develops that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *Metropolitan Nashville Code of Laws § 4.40.020–Written Requisitions Required–All purchases of supplies, services, and construction shall be pursuant to a written requisition from the head of the office, department or agency whose appropriation will be charged therewith.*
- *Metropolitan Nashville Government Department of Finance Policy, Purchasing #20–Purchasing–defines purchase order as the appropriate method for making purchases.*

Recommendation for management of the Department of Finance Procurement Division to

Ensure all procurements for goods and services are enabled through iProcurement requisitions and purchase orders. Exceptions to this policy should require approval from the Purchasing Agent.

Observation D – Competitive Bidding Limits

The limits for when competitive bidding is required could be increased and result in fewer solicitations requiring assistance from the Procurement Division. This would allow additional time for procurement officers to work on higher value solicitations. Increasing the competitive bidding limit to the maximum allowed by state code would have an immaterial incremental impact on total spend on services and goods.

Increasing the public advertisement and competitive bidding limit threshold from \$10,000 to \$25,000 could potentially reduce the number of suppliers requiring solicitations with Procurement Division assistance from 28.7 percent to 20.2 percent of suppliers while also, encompassing 98.8 percent of the total spend for supplies, services, and construction (see Exhibit 3 below.) This analysis assumes one supplier (vendor address number) results in an individual solicitation or purchase order requiring assistance from the Procurement Division. In practice, multiple solicitations or purchase orders could be associated with one supplier.

Exhibit 3 – Analysis of Raising Competitive Bid Limit to Maximum Allowed by State Code for Fiscal Years 2016 through 2017

Competitive Bid Limit	Amount Paid	Percent of Amount Paid	Number of Suppliers	Percent of Suppliers
State Code Municipalities Maximum Competitive Bid Limit				
\$25,000 or more (competitive bidding and advertising)	\$1,266,411,782	98.8	1,152	20.2
\$10,000 or more and less than \$25,000 (3 or more bids)	7,934,410	0.6	487	8.5
Less than \$10,000 (no bid)	7,252,076	0.6	4,071	71.3
Total	\$1,281,598,268	100.0	5,710	100.0
Current Metropolitan Nashville Government Competitive Bid Limit				
\$10,000 or more (competitive bidding and advertising)	\$1,274,316,192	99.4	1,636	28.7
\$1,000 or more and less than \$10,000 (3 or more bids)	6,567,401	0.5	1,667	29.2
Less than \$1,000 (no bid)	714,675	0.1	2,407	42.1
Total	\$1,281,598,268	100.0	5,710	100.0

Source: EnterpriseOne paid invoices excluding business units associated with Metropolitan Nashville Public Schools (department 80), Convention Center Authority (departments 63 and 71), Nashville Hospital Authority (Department 67), Metropolitan Development and Housing Authority (department 77), Metropolitan Transit Authority (department 78), and Debt Services (department 90). Also, disbursements believed not to be associated with supplies, services, and construction were filtered by excluding certain object accounts and significant vendors (Nashville Convention and Visitors Bureau, Nashville Zoo, Nashville Electric Services MAC, Police Imprest Cash Drug Enforcement, and US Department of Health and Human Services).

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

- Metropolitan Nashville Charter § 8.111— Before making any purchase or contract requiring expenditure of a sum in excess of one thousand dollars (\$1,000), the purchasing agent shall take competitive bids, pursuant to Tennessee Code Annotated, Section 7-3-306, as the same may be amended, and under such rules and regulations as may be established by ordinance.
- Metropolitan Nashville Code of Laws § 4.12.010—Definition for “competitive bidding.”
- Tennessee Code Annotated § 7.3.306—Defines “competitive bidding” for metropolitan governments.
- Tennessee Code Annotated § 12.3.1212—Establishes maximum competitive bidding and advertising limit at \$25,000, for any county, municipality, utility district, or other local governmental entity.

Recommendation for management of the Department of Finance Procurement Division to:

Encourage legislation to move the Metropolitan Nashville Government’s competitive bidding limit to match the maximum allowed for Tennessee municipalities.

Observation E – Monitoring of Delegated Authority for Purchases

There is not a methodical, consistent process for monitoring purchases made under delegated authority. There are currently 52 entities with the delegated authority to purchase goods and services up to \$9,999.

Criteria:

COSO, Control Activities—Principle 16—The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

Recommendation for management of the Department of Finance Procurement Division to

Develop a systematic, methodical monitoring program for those departments utilizing delegated authority.

Observation F – Certificate of Insurance Monitoring

The Metropolitan Nashville Government is unnecessarily exposed to potential financial loss because certificates of insurance after the initial contract awards for services are not diligently monitored within the Procurement Division. A review of certificates of insurance on file in the Procurement Division showed monitoring for valid insurance coverage throughout the contract term is inconsistent, as demonstrated below.

- *Invitation to Bid* - Out of 15 solicitation contracts sampled, 12 (80 percent) had expired certificate of insurance.
- *Request for Proposal* - Out of 40 solicitation contracts sampled, 26 (65 percent) had expired certificates of insurance.
- *Sole Source* - Out of 10 solicitation contracts sampled, 7 (70 percent) had expired certificates of insurance.

- *State/Other Governmental Entity Contracts* - Out of 6 solicitation contracts sampled 2 (33 percent) had expired certificates of insurance.

Certificates of insurance are reviewed by the Department of Law Claims Division during initial contract execution. However, they do not monitor certificates of insurance during the contract period.

Recommendation for management of the Department of Finance Procurement Division to:

Ensure monitoring of contract insurance terms is assigned to staff within the Procurement Division, Department of Law Claims Division, or the contract proponent.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

The In-Charge Auditor's personal independence was impaired after October 1, 2017, when the auditor applied for a position with the Department of Finance. All other standards were complied with. (Prior to that date, fieldwork testing completed by the In-Charge Auditor was re-performed on a sample basis with no material exceptions observed.)

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel in various functions.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Evaluated internal controls in place during the audit period.
- Performed inquiries and observations on walkthroughs of procedures, and tested samples, to determine the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

AUDIT TEAM

Innocent Darby, CPA, CMFO, Auditor-in-Charge

James Carson, CIA, CFE

Seth Hatfield, CPA, CIA, CFE

Bill Walker, CPA, Quality Assurance

Mark Swann, CPA, CISA, CIA, CMFO, ACDA, Metropolitan Auditor



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

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August 16, 2018

Mr. Mark Swann
Metropolitan Auditor
Office of Internal Auditor
404 James Robertson Parkway
Nashville, TN 37219

Re: Audit of the Metropolitan Nashville Government's Procurement Division

Dear Mr. Swann:

This letter acknowledges the Finance Department's receipt of the report for the above referenced project. We have reviewed your observations and recommendations for the Procurement Division and have evaluated each for adoption. Actions will be taken as indicated in the Management Response.

We appreciate the methodology used in reviewing the Procurement Division, particularly the cooperative effort in developing the report and considering our input and concerns during the entire process.

Regards,

A handwritten signature in blue ink, appearing to read "Talia Lomax-O'dneal".

Talia Lomax-O'dneal

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of the Department of Finance Procurement Division to improve Procurement Code and Procurement Regulations compliance performance by:</i>		
<p>A.1 Developing “How to Procure” procedures for critical procurement processes and establishing a buyer training roadmap.</p>	<p>ACCEPT - A Procurement Manual for external/departmental stakeholder use is currently underway. The purpose of the manual is to provide a resource for stakeholders that provides information and guidance on the effective and efficient use of the Procurement Process. Manual will include specific “how to’s,” procurement scenarios, and Procurement Code and Regulation references.</p>	<p>12/31/2018</p>
<p>A.2 Developing staff by establishing a buyer model-training curriculum and encourage certification programs for staff. Several government procurement associations offer certifications such as a certified professional public buyer or certified public procurement officer.</p>	<p>ACCEPT - An educational roadmap has already been launched. Staff educational attainment is being reviewed in comparison with required courses necessary for each buying staff member to be certified as a Certified Professional Public Buyer (CPPB) by the National Institute of Government Purchasing (NIGP). Full implementation of this recommendation is subject to funding availability.</p>	<p>06/30/2019</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>A.3 Seeking accreditation from a national professional procurement organization.</p>	<p>ACCEPT - The Procurement Division is reviewing the criteria necessary to achieve The National Institute of Government Purchasing (NIGP) OA4 Accreditation. This accreditation recognizes agencies that lead the public procurement profession through the implementation of best practices. Agencies meeting the minimum requirements are OA4-accredited for three years. The Accreditation includes a review of 11 core areas including Mission and Strategies, Organizational Structure, Authority and Responsibility, Planning and Scheduling, Standards and Specifications, Personnel and Professional Development, Best Practices, Audit and Evaluation, Cooperative Procurement, Property Management, and Procurement Technology. A milestone date of May 30, 2019, has been established to review achievement of the criteria with the hope of achieving accreditation by the end of 2019. Full implementation of this recommendation is subject to funding availability.</p>	<p>11/30/2019</p>
<p>A.4 Annually conduct a self-assessment of Procurement Code and Procurement Regulations compliance performance.</p>	<p>ACCEPT - The Procurement Division and the Office of Financial Accountability in the Finance Department will work together to implement this recommended change. Work is underway to develop the assessment criteria necessary to enable the Office of Financial Accountability to develop the necessary procedures to conduct the assessment. It is important that an external party conduct the assessment to ensure impartiality. The first assessment will occur during the Fiscal Year 2019.</p>	<p>01/01/2019</p>
<p>A.5 Deciding if purchasing officers' delegation should include the authority to approve an intent to award contracts.</p>	<p>ACCEPT - Tiered delegations will be established to allow for Senior Procurement Officers to make awards of Invitations to Bid. Delegations will be signed, and training of supervisors complete by November 2018 with delegation being effective in January of 2019.</p>	<p>01/01/2019</p>
<p>A.6 Ensuring all solicitation supporting documentation resides in one system of record.</p>	<p>ACCEPT - This modification is currently underway for all procurements. The iProcurement System is being established as the location of record for procurement activity from requisition to receipt, including all sourcing related actions, award letters, amendments, etc.</p>	<p>Currently Underway</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Recommendation for management of the Department of Finance Procurement Division to improve Business Assistance Office tasks by:</i>		
<p>B.1 Including Business Assistance Office tasks in the implementation plan to improve the overall system of quality control for procurement activity (see Observation A recommendations).</p>	<p>ACCEPT - Full details regarding Business Assistance Office tasks will be included in the Procurement Manual to provide both internal staff and external stakeholders information and guidance on the effective and efficient use of the procurement process including BAO activities.</p>	<p>11/30/2018</p>
<p>B.2 Ascertaining if the current Oracle R12 Enterprise Business implementation project can capture small, minority, woman, and service-disabled veteran owned businesses primary registered commodity codes along with secondary commodity codes entities they are interested in monitoring.</p>	<p>ACCEPT - Staff is currently working with the implementation team for the Oracle R12 Enterprise Business implementation project to determine steps necessary to address this observation.</p>	<p>06/30/2019</p>
<p>B.3 Providing additional guidance (standard letters) concerning expectations for outreach communication between prime contractors and small, minority, woman and service disabled veteran-owned businesses.</p>	<p>ACCEPT - Business Assistance Office Staff has begun the work of providing minimum standard outreach language to be used by offerors when reaching out to potential subcontractors. This language is not the full extent of what the outreach could include, but is at a minimum what the outreach must include. The language will consist of the specific details outlined in the Procurement Code.</p>	<p>10/01/2018</p>
<i>Recommendation for management of the Department of Finance Procurement Division to:</i>		
<p>C.1 Ensure all procurements for goods and services are enabled through iProcurement requisitions and purchase orders. Exceptions to this policy should require approval from the Purchasing Agent.</p>	<p>ACCEPT - The Procurement Division and Division of Accounts staff will work to develop a policy and procedures for Departmental use of the iProcurement System for those payments which are pursuant to contracts in order to ensure that such payments are the result of requisitions and approved Purchase Orders. The installation of the Oracle R12 product which will result in a singular platform for the iProcurement and Accounting /Payment Systems will facilitate this transition due to increased controls related to contract/PO details and payments. Details regarding this process will also be included in the Procurement Manual which will be made available for departmental users in an effort to provide them with information and guidance on effective use of the Procurement Process from requisition to receipt.</p>	<p>04/30/2019</p>

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>D.1 Encourage legislation to move the Metropolitan Nashville Government’s competitive bidding limit to match the maximum allowed for Tennessee municipalities.</p>	<p>ACCEPT - Staff is currently engaged in the preparation process to implement this recommended change. This change will require a modification to the Procurement Code through legislative action by the Metropolitan Council. Further, Departmental User Guidelines and subsequent Training, as well as Comprehensive Monitoring will be developed to establish a more robust Delegated Purchasing Authority Program for Metro Departments.</p>	<p>03/30/2019</p>
<p>E.1 Develop a systematic, methodical monitoring program for those departments utilizing delegated authority.</p>	<p>ACCEPT - The Procurement Division and the Office of Financial Accountability in the Finance Department will work together to implement this recommended change. The Office of Financial Accountability is currently working on the development of the procedures for the monitoring process. Those key controls are expected to be completed by January of 2019. Monitoring will begin in FY 2020.</p>	<p>07/01/2019</p>
<p>F.1 Ensure monitoring of contract insurance terms is assigned to staff within the Procurement Division, Department of Law Claims Division, or the contract proponent.</p>	<p>ACCEPT - Monitoring of contract insurance terms has been assigned to staff in the Procurement Division. The Procurement Division has established procedures to receive electronic Certificates of Insurance (COI), for ongoing reviewing to insure appropriateness of coverages as determined by the Department of Law. The Certificates are then uploaded into the iProcurement System as well as the public facing digital document management system where the expiration date of the COI is documented and searchable.</p>	<p>06/30/2019</p>

APPENDIX B – PROCUREMENT CODE AND REGULATIONS TESTED

Count	Code (C) Regulation (R)	Description
1	C.4.44.020.A-B	Assist small, disadvantaged, and service-disabled veteran owned businesses in learning how to do business with the metropolitan government.
2	C.4.44.030.A	Assistance within Metropolitan Government agencies
3	C.4.44.030.B	Special publications
4	C.4.44.030.C	Source lists
5	C.4.44.030.D	Solicitation mailing lists
6	C.4.44.030.E	Solicitation of small, disadvantaged, and service-disabled veteran owned businesses
7	C.4.44.030.F	Training programs
8	C.4.44.050	Report to the standards board and the council.
9	C4.46.030.C	Monitoring
10	C4.46.030.E	Closeout activity report
11	C4.46.070.A	Executed covenant of non-discrimination exists
12	C4.46.070.B	Written notice to 3 certified MWBEs exists
13	C4.46.070.C	Successful subcontractors/vendors
14	C4.46.070.D	Interested subcontractors/vendors
15	C4.46.070.E	Bid proposals/price quotations
16	C4.46.070.F	Letter of Intent to Perform as a Subcontractor/Joint Venture
17	C4.46.080.A, B	Good faith effort
18	C4.46.090	Evaluation of bid for program compliance
19	C4.46.100	Sanctions or penalties for noncompliance
20	C4.46.120	Outreach program
1	C4.12.060	Contract greater than \$250k Council approval (Feb 2013)
2	R4.12.030.03	Instructions provided to bidders
3	R4.12.030.05	Bid includes relevant information
4	R4.12.030.06	Adequate public notice
5	R4.12.030.08	Pre-bid conference organized
6	R4.12.030.09	Amendments are correct
7	R4.12.030.12	Bid opened on time
8	R4.12.030.13	Mistakes properly resolved
9	R4.12.030.14	Bid evaluation proper
10	R4.12.030.15	Low tie bid resolution proper
11	R4.12.030.16-18	Notice of intent
12	R4.12.030.19	Multi-Step properly documented as applicable
13	R4.12.040.02	Competitive sealed proposals
14	R4.12.040.03	Content information relevant
15	R4.12.040.04	Minimum 14 calendar days
16	R4.12.040.06	Public notice for request for proposal
17	R4.12.040.08	Proposal conference and summary record
18	R4.12.040.09	Request for proposal amendments processed
19	R4.12.040.10	Modification or withdrawal of proposals

APPENDIX B – PROCUREMENT CODE AND REGULATIONS TESTED

Count	Code (C) Regulation (R)	Description
20	R4.12.040.12	Bids opening
21	R4.12.040.13	Bid evaluation
22	R4.12.040.14	Evidence of proposal discussion
23	R4.12.040.15	Proposal mistakes resolved
24	R4.12.040.16	Award written determination
25	R4.12.040.17	Award publicized
26	R4.12.060.02	Sole source valid justification with the supplier
27	R4.12.060.03	Evidence of negotiating exist
28	R4.12.060.04	Records Maintained
29	R4.12.060.05	Sole source goods/service justified
30	R4.12.070.02	Definition met for emergency purchase
31	R4.12.070.03	Proper procedures followed
32	R4.12.070.04	Approval prior to purchase
33	R4.12.070.05.1	Sole source justified
34	R4.12.070.06.1	Written determination made
35	R4.12.070.06.2	Proper supporting documentation
36	R4.12.090.01	Purchase made my Metro Purchasing Agent
37	R4.12.090.02	Opportunity cost considered
38	R4.12.090.03	Secondhand items not purchased
39	R4.12.090.04	Purchase not for or from a local government agency
40	R4.12.090.05	Purchase not for an intergovernmental coop
41	R4.44.020.05	Small business verified prior to award
	Control Concept	Valid certificate of insurance still in place
	Control Concept	Requisition approved by the department head
	Control Concept	State contract attached
	Control Concept	Evidence for Basis for Initiating Amendment Process
	Control Concept	Amendment Changed the Value of Original Contract
	Control Concept	New Solicitation Needed
	Control Concept	Evidence Provided
	Control Concept	Approved by Purchasing Agent
	Control Concept	Notice of Award Published
	Control Concept	Amendment Properly Approved
	Control Concept	Metro Contract Does Not Replicate Other Contracts